

CITY OF CORVALLIS
COUNCIL POLICY MANUAL

POLICY AREA 7 - COMMUNITY IMPROVEMENT

CP 97-7.13 **Municipal Airport and Airport Industrial Park Leases**

Adopted June 2, 1997

Revised March 2001
Revised June 7, 2004
Revised April 2, 2007
Revised March 15, 2010
Revised March 18, 2013

7.13.010 **Purpose**

- a. The purpose of the Municipal Airport and Airport Industrial Park Lease Policy is to provide a sound, consistent document on which the City of Corvallis can respond to the interests of financially stable and responsible tenants to the Airport and Airport Industrial Park property and can administer tenant leaseholds fairly and uniformly.
- b. The policy is adopted so that all current and prospective tenants will be fully aware of the rules for Airport and Airport Industrial Park property administration and be treated in a fair and equitable manner.
- c. Other purposes of the policy include maintaining a stable revenue source to the airport, protection of tenants, and guidelines for airport-related business decisions.
- d. This policy pertains only to leases of City-owned land and property, and excludes permits of other commercial activities as listed in the Minimum Standards for Commercial Aeronautical Activities.

7.13.020 **Policy Goals**

- 7.13.020.10 These policies are designed to assure Airport and Airport Industrial Park tenants of a desirable business climate while minimizing administrative and operational concerns.

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7.13.020.20 In developing the various elements of the Airport and Airport Industrial Park Lease Policy, the goal is to negotiate lease agreements that will:

- a. Fulfill long-term public service goals inherent in the operation of public use facilities;
- b. Define operational costs in the leased areas that are to be covered by the lessee;
- c. Permit maximum generation of revenues to the Airport Fund in a manner consistent with sound business practices;
- d. Facilitate the investment of private capital to develop the Airport and Airport Industrial Park; and
- e. Compete on an equitable basis with private industrial properties.

7.13.030 Policy Guidelines

The following policy guidelines will be utilized in the future leasing of Airport and Airport Industrial Park property.

7.13.030.010 Lease or Operating Agreements Required

No person, firm or organization will be permitted to operate a business in the Airport or Airport Industrial Park without a valid lease, sublease or license.

7.13.030.011 Standardized Leases

The City will develop standardized leases for tenants of each particular business classification listed below.

- a. Fixed Base Operators (FBO)
- b. Specialized Aviation Service Operator (SASO)
- c. Industrial Tenants - Ground Lease
- d. Hangar Tenants - Ground Lease
- e. T-hangar Rental Agreement

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7.13.030.012 Uses, Rights, and Obligations

- a. The uses and rights granted to tenants will be consistent with and specifically defined in the Airport Industrial Park Development Plan, Airport Master Plan and land use plans. In addition, development of services or facilities that will be required of the lessee will be specifically stated in the agreed lease document, as will any restrictions on uses, rights, and obligations.
- b. All tenants are obligated to abide by all City of Corvallis municipal codes, standards, and policies.
- c. Tenants shall be liable for all costs, fines, assessments and other liabilities arising from their use of the premises, including any that result in the need for environmental cleanup under state or federal regulations.
- d. Tenant shall maintain, during entire term of the lease, the minimum insurance requirements as stated in the lease.

7.13.030.013 Minimum Improvements and Investment Standards

- a. Any tenant who enters into a lease with the City of Corvallis with the intention of constructing owned or leased facilities will be obligated to commence construction of such facilities within 12 months from the date the lease is signed and to complete construction within 12 months of the commencement date.
- b. The lessee may apply for up to a six-month extension to the time periods provided a written request is received 90 days prior to the end of either 12 month period. The request shall include the new expected initiation or completion date.
- c. All constructed facilities will meet the minimum code and land development requirements of the City of Corvallis. Building construction and materials shall comply with the Airport Master Plan and Airport Industrial Park Development Plan with stated goals of holding to a higher development standard and protecting the investment of existing tenants.
- d. Further, all Airport and Airport Industrial Park leases shall require the lessee to comply with the requirements of all applicable City Master Plans as approved by the Corvallis City Council. Future tenant improvements adhering to the approved plans within the Airport and Airport Industrial Park may include parcel assessments or charges. Those assessments

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or charges shall be the same as those charged within the corporate limits of the City of Corvallis.

7.13.030.014 Leased Areas

Land under buildings, parking areas, or any other areas specifically designated in the lease will be made available for the exclusive use of the tenant and, as such, the tenant will pay rent on the area designated.

7.13.030.015 Types of Rates and Charges

The principle underlying the establishment of lease rates is that each tenant in the Airport and Airport Industrial Park should pay an appropriate fair market rate for such tenancy of use. With regard to the various uses of Airport property, the following policies apply:

- a. All land and building tenants will be required to pay for the gross land area leased. In addition, any tenant of a City-owned building will be required to pay building rent.
- b. All leases will identify, in the lease language, ground rents and building rents separately, as well as any other use fees or charges.
- c. The lessee will promptly pay all personal property taxes levied against those improvements owned or leased by the lessee.

7.13.030.016 Land Rental Rates

- a. As a basis for establishing uniform land rental rates in the future for various parcels of Airport and Airport Industrial Park property, the City will periodically obtain an independent appraisal of the current market value of the land. The annual ground rental will be established on the basis of a given percentage of the appraised market value of the given parcels. A Consumer Price Index (CPI) may be used in conjunction with the appraisal to set inflation adjustments.
- b. The percentage used for this determinate will be applied consistently to all Airport and Airport Industrial Park land and building tenants. Current leases reflect the annualized percentage of ten percent (10%) of the appraised value.
- c. All future lease agreements shall provide for readjustment of the land rental rate every five years so that the Airport and Airport Industrial Park

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may at all times receive income which is appropriate to the changing value of the land.

- d. Land lease rates differ between the Airport and the Airport Industrial Park. Airport lease rates are for properties that have access to active taxiways and runways. All other properties that do not have said access may be leased at the Airport Industrial Park rate.
- e. The City Council has approved a surcharge to recover wetland mitigation costs in the State of Oregon Certified Industrial Site within the Airport Industrial Park.

7.13.030.017 Term (Duration of Lease)

The term of all Airport and Airport Industrial Park lease agreements will be determined on the following basis:

- a. All agreements will be long enough to permit any tenant making a substantial capital investment in facilities, new or improved, to amortize the capital investment over the duration of the lease. This will also allow the tenant to secure the funding sources required to make this capital investment. Terms may be extended upon prior agreement reached during the negotiation of lease terms.
 - 1) In the event an extended term is considered, provision will be made for rental terms during negotiations of the lease.
 - 2) Following are the basic guidelines for lease terms:

City-Owned Building	10 years
Private Hangar	20 years
FBO/SASO	30 years
Private Industry	40 years
 - 3) Longer lease terms or extensions may be permitted based on the following criteria:
 - * Investment in Buildings and Grounds
 - * Capital Intensive Operations
 - * Service to other Airport or Airport Industrial Park users
 - * Family Wage Job creation
 - * Extension of Public Infrastructure; Benefit to Other Parcels (i.e., roads, water, sewer)
 - * Ability to Attract New Aviation Business
 - * Improvements Likely to Remain Following Lease Termination

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- * Availability of Grant/Loan Money
- * Suitability of Location on the Airport or Within the Airport Industrial Park

- 4) Lease extensions will be limited to no more than two (2) ten (10) year periods.
- b. All agreements with terms less than those stated in 7.13.030.017a will be subject to the same rental rate adjustments. These adjustments will be based on current market values and CPI percentages as per 7.13.030.016.

7.13.030.018 Options/Rights of First Refusal

Options and rights of first refusal to lease land may be considered. Tenants, having fully leased the areas stated in the initial lease agreement, may acquire additional property through the option process. Options may run up to a maximum of five (5) years at an annual rate equal to one month's current lease rate per acre (or lot, if smaller than one acre).

7.13.030.019 Maintenance Policies

- a. The following maintenance policy has been adopted for the various users of the Airport Industrial Park and Airport:

1) Buildings and Grounds

The lessee will be required to provide all needed maintenance for the gross area of land leased and all privately owned facilities on that land. Maintenance of any City-owned structures will be negotiated on a net basis. Under a negotiated net lease, building area tenants are required to assume full responsibility for providing all utilities and daily services, and will be fully responsible for maintenance, repair, upkeep, and operation of leased premises, except for basic structural maintenance.

2) Main Hangar Building

The City of Corvallis shall provide the exterior structural maintenance of the main hangar building. The tenant shall be required to provide fire insurance, internal maintenance, other day-to-day services as needed, and internal improvements, if desired.

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- b. Net leases for all building areas and ground leases, result in a minimum of operational costs to the City of Corvallis.
- c. The City of Corvallis shall be the sole judge of the quality of maintenance. By written notice, the City of Corvallis may require the lessee to perform maintenance as necessary. In the event this maintenance is not undertaken as required, the City of Corvallis has the right to perform such needed maintenance and bill the lessee for the actual cost of the maintenance.

7.13.030.020 Performance and Operating Standards

- a. All leases granting commercial uses in the Airport and the Airport Industrial Park may include clauses governing the hours of operation, types of operation, the extent of services offered and required, staffing requirements, and the quality of performance that will be required of the lessee. The quality of performance will be evaluated by the City of Corvallis.
- b. Performance standard clauses are essential in commercial leases (such as car rental agencies, fixed base operator, restaurants, etc.) to ensure that the performance level is consistent with the expectations of service.

7.13.030.021 Rights on Termination

- a. Any improvements or personal property remaining upon the leased property thirty (30) days after the termination of the lease shall become property owned by the City of Corvallis.
- b. Prior to the end of the lease period, the lessee may negotiate a new lease for the property, if a written request is received at least 60 days prior to the end of the lease. Approval of this new lease shall not be withheld without reasonable cause. If the new lease has not been executed by the termination date of the old lease, the lessee shall be charged rental on a month to month basis at the old lease rate. If a new lease has not been negotiated within 90 days following the original termination date, then the lease shall be terminated and the provisions of 7.13.030.021a shall apply.

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7.13.030.022 Encumbrances

- a. Leases for all uses may permit the lessee to subordinate the leasehold improvements for financial purposes, with the sublessee approved in advance by the City of Corvallis.
- b. To protect the mortgager's interests, the mortgager shall be granted the right to cure any default on the part of the lessee in the payment of rent and, in the event of default, to assume the lessee's position under the lease. The encumbrance clause assists in the private investment for financing capital improvements, protects the mortgager's interests, and does not compromise the interests of the Airport Industrial Park and Airport.

7.13.030.023 Subleasing/Assignment

Subleasing and/or assignment of land leases and City owned building leases will not be permitted without prior written approval of the City of Corvallis as to both the sublessee and the sublease that will be entered into specifically with regard to the privileges and obligations to be granted. Approval will not be withheld without reasonable cause.

7.13.030.024 Nondiscrimination

The Lessee agrees that no person shall be excluded from the use of the premises based on age, citizenship status, color, familial status, gender identity or expression, marital status, mental disability, national origin, physical disability, race, religion, religious observance, sex, sexual orientation, and source or level of income. Such discrimination poses a threat to the health, safety and general welfare of the citizens of Corvallis and menaces the institutions and foundation for our community.

7.13.030.025 Cancellation Clauses

In addition to the usual cancellation clauses by the City of Corvallis for default of the lessee, any aviation class tenant shall be given the right to cancel the current lease if:

- a. The Airport no longer functions as a transportation facility;
- b. The use of the Airport is restricted so as to prevent the lessee from operating for a period of ninety (90) consecutive days; or

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- c. The City of Corvallis defaults in any of the terms, covenants, or agreements of the lease.

7.13.030.026 Short-Term Leases in City-Owned Facilities

The City of Corvallis may, in addition to the stated requirements as set forth in this document, require all lessees with short-term leases in City-owned facilities to provide a letter of credit or security deposit equivalent to three months of rent.

7.13.040 Policy Review and Update

This Policy shall be reviewed by the Public Works Director every three years in March and updated as appropriate.